

# Agenda

## Interested Parties Meeting - Supplemental Reporting Requirements for Nonprofit Hospitals

March 5, 2009

9:30 AM – 12:00 PM

Board of Equalization Headquarters

Room 121

### Agenda topics

- 1) Direction from Board at January 22, 2009 meeting
- 2) Letters distributed to interested parties – soliciting input on form
  - Which, if any, questions are hospitals unable to produce a response to at this time? Why?
  - Where, if anywhere, could the Board obtain the same data from another source that would be current and in a usable format?
  - What could the Board do to make the reporting requirements easier for hospitals?
- 3) Discussion on availability of data from OSHPD (*see attachment*)
- 4) Discussion on availability of data from IRS Schedule H (*see attachment*)
- 5) Discussion on what hospitals are currently unable to produce
- 6) Discussion on what the Board could do to make reporting easier
- 7) Closing remarks\*– what will happen next

*\*Please be sure you have signed in*

*COMPARISON OF BOARD OF EQUALIZATION PROPOSED HOSPITAL REPORTING FORM QUESTIONS TO  
OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT DATA  
FOR DISCUSSION AT MARCH 5, 2009 INTERESTED PARTIES MEETING*

The Office of Statewide Health Planning and Development (OSHPD), which is part of the California Health and Human Services Agency is responsible for oversight of hospitals in California.

- OSHPD works closely with California hospitals to ensure that the facilities can withstand a major earthquake or other type of disaster to comply with Seismic Safety Laws; for additional information, see OSHPD publication titled, *California's Hospital Seismic Safety Law, Its History, Implementation & Progress*.
- OSHPD oversees hospital organizations and establishes a uniform accounting and reporting system required to be implemented by all California hospitals; for additional information see OSHPD's *Accounting and Reporting Manual for California Hospitals*. Hospitals must annually submit financial disclosure reports to OSHPD; this information is available on OSHPD's website at <http://www.oshpd.ca.gov/hid/Products/Hospitals/AnnFinanData/DsclureRpts/index.html>.
- OSHPD collects quarterly financial and utilization reports and community benefit plans. As a result of SB 697 passed in 1994, all private not-for-profit hospitals must assess community needs, develop plans to address priorities, and report on community benefits through OSHPD's Hospital Community Benefit Program. Such hospitals are required to: conduct a community needs assessment every three years, develop a community benefit plan in consultation with the community, and annually submit a copy of its plan to OSHPD. A list of those required to submit community benefit plans are available on OSHPD's website at: <http://www.oshpd.ca.gov/HID/SubmitData/CommunityBenefit/>; the community benefit plans themselves are not on-line.
- AB 774, effective 1/1/07 established Hospital Fair Pricing Policies to require hospitals to increase the public awareness of the availability of charity care, payment discounts, and government-sponsored health insurance, and to standardize its billing and collection procedures. (Note: SB 350, effective 1/1/08 amended portions of AB 774.) As a result of AB 774, hospitals must submit its charity care policies and discount payment policies to OSHPD; charity care meaning free care and discount payment meaning partial charity care. This information was first reported to OSHPD on 1/1/08 and is available on their website at: <http://syfphr.oshpd.ca.gov/>.

There are comparability issues with OSHPD data to data needed by the Board of Equalization (BOE)

- Reporting to the BOE for purposes of the welfare exemption is on an organization level (Organizational Clearance Certificate holder – a corporation, foundation, community chest, funds, or limited liability company.) The organization must be a nonprofit corporation, community chest, fund, foundation, or qualifying limited liability company.
- Reporting to OSHPD is on a facility basis based on license with the California Department of Public Health. Licenses can include multiple healthcare operations (Health and Safety Code section 1250.8(b) lists criteria for consolidation and (b)(4) provides that physical plants must be within 15 miles.)
- In order to use OSHPD data, BOE would need to identify all the facilities of the Organizational Clearance Certificate holder and then obtain information for each facility's OSHPD Financial Disclosure Reporting. (For example, Catholic Healthcare West (OCC #14974), includes 35 facilities with OSHPD.) Also, data may not include the organization's non acute care facilities (e.g., multi-specialty clinics.)

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Question on Proposed BOE Form	Detail on Reporting to OSHPD
1. What were the organization's operating revenues (exclusive of gifts, endowments and grants-in-aid) for the following years?	<p>Reported on Hospital Disclosure Report, Statement of Income – Unrestricted Fund, page 8, line 140 <i>Total Operating Revenue</i>. However, adjustment would need to be made to remove gifts, endowments and grants-in-aid from total operating revenue to comply with the statutory provisions of the welfare exemption (R&amp;T 214 (a)(1)). Adjustment required for the following items on page 14, which are included in other operating revenues:</p> <ul style="list-style-type: none"> <li>• line 185, <i>Transfers from Restricted Funds for Operations (Non-Revenue Centers)</i></li> <li>• line 225, <i>Transfers from Restricted Funds for Research Expense</i></li> <li>• line 260, <i>Transfers from Restricted Funds for Education Expense</i></li> <li>• line 270, <i>Transfers from Restricted Funds for Operation (Revenue Centers)</i></li> </ul>
2. What were the organization's operating expenses (including depreciation based on cost of replacement and amortization of, and interest on indebtedness) for the following years?	Reported on Hospital Disclosure Report, Statement of Income – Unrestricted Fund, Page 8, line 200, <i>Total Operating Expenses</i> (sum of operating expenses, lines 146-195).

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<p>3. Do the organization's operating revenues exceed operating expenses by 10% or more of those expenses, defined as <i>surplus revenues</i> for any of the following years? If yes, identify the amount. (Calculate the amount in 3(a) below)</p> <p>(a) Calculation of Surplus Revenues</p> <p style="padding-left: 40px;">Net Operating Income (Revenue – Expenses from above) less 10% of Operating Expenses equals Variance (positive indicates surplus)</p>	<p>To calculate the figure for row 1, <i>Net Operating Income (Revenue minus expenses from above)</i>, use the figures reported on Hospital Disclosure Report, Statement of Income – Unrestricted Fund: Page 8, line 205, <i>Net From Operations (Net From Operations is the difference of Line 140, Total Operating Revenue minus Line 200, Total Operating Expenses adjusted to remove gifts, endowments and grants in aid.</i></p> <p>To calculate the figure for row 2, <i>10% of Operating Expenses</i>, use the figures reported on Hospital Disclosure Report, Statement of Income– Unrestricted Fund: Page 8, line 200 <i>Total Operating Expenses</i> multiplied by 10%.</p> <p>The figure for row 3, <i>Variance (positive indicates surplus)</i>, is the difference between row 1 minus row 2. (Row 3 figures in 3(a) <i>Variance (positive indicates surplus)</i> would be used to complete the boxes in question 3.)</p>
<p>4. What were the organization's operating and non-operating revenues and expenses?</p> <p>Note: the form requests amounts for each of the following items:</p> <p><i>Total Operating Revenues</i> <i>Operating Expenses</i> <i>Non Operating Revenues</i> <i>Non Operating Expenses</i> <i>Net Operating Income</i></p>	<p>Item 1 <i>Total Operating Revenue</i> can be obtained from Hospital Disclosure Report, Statement of Income – Unrestricted Fund, page 8, line 140, <i>Total Operating Revenue</i>.</p> <p>Item 2 <i>Operating Expenses</i> can be obtained from Hospital Disclosure Report, Statement of Income – Unrestricted Fund, page 8, line 200, <i>Total Operating Expenses</i>.</p> <p>Item 3 <i>Non-Operating Revenues</i> can be obtained from Hospital Disclosure Report, Statement of Income – Unrestricted Fund, page 8, line 625, <i>Total Non-Operating Revenues</i>.</p> <p>Item 4 <i>Non-Operating Expenses</i> can be obtained from Hospital Disclosure Report, Statement of Income – Unrestricted Fund, page 8, line 685 <i>Total Non-Operating Expense</i>.</p> <p>Item 5 <i>Net Operating Income</i> can be obtained from Hospital Disclosure Report, Statement of Income – Unrestricted Fund, page 8, Line 205, <i>Net From Operations (line 140 Total Operating Revenue minus line 200 Total Operating Expenses)</i>.</p>

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5. <b>Attach</b> to this form a copy of your certified/audited financial statements for the last four fiscal or calendar years. Also submit copies of IRS form 990 for the last four years in electronic PDF format on CD.	Not Applicable
6. If the organization had surplus revenues for any year, identified in question 3, did the organization use surplus revenues for debt retirement, plant or facility expansion, or reserve for operating contingencies? If yes, enter the total amount of such use for each of the following years.	Hospital Disclosure Report, Statement of Changes in Property, Plant and Equipment, page 5.2 provides beginning balances, additions (purchase and donation), transfers, disposals and retirements and ending balances for the following accounts: Land, Land Improvements, Building and Improvements, Leasehold Improvements, Equipment, Construction in Progress. <ul style="list-style-type: none"> <li>This data may be an indication of plant or facility expansion as to acquisitions for land and buildings or construction in progress. But, it does not provide sufficient information.</li> </ul>
7. <b>Attach</b> to this form a description of major plant or facility expansion projects; identifying the project location, scope and timeline for completion.	This information is unavailable from OSHPD.
8. <b>Attach</b> to this form a list of properties upon which your organization is claiming the welfare exemption. ( <i>Identify address, county, Assessor's Parcel Number.</i> )	This information is unavailable from OSHPD.
9. Does the organization have a charity care policy? If yes, provide a copy of the policy and identify the accounts (number and description) used to record such charity care and associated costs for the following years: ( <i>Attach supplementary schedules, if necessary.</i> )	As previously indicated, beginning January 1, 2008, each hospital is required to report charity care (free care) and discount payment (partial charity care) information to OSHPD. They must submit 2 documents; one must contain the hospital's charity care/discount payment policies and procedures and the other document must be the application form. <ul style="list-style-type: none"> <li>Charity care policies and discount payment policies are available on OSHPD's website. The policies do not identify the accounts used to record such data and associated costs.</li> </ul>

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<p>10. Does the organization's hospital(s) provide medical care to Medicare, Medi-Cal or county indigent program recipients? If yes, provide the following information for each year: (Attach supplementary schedules, if necessary.)</p> <p>(a) Enter the total amount of contractual adjustments for the organization's hospital(s) in accordance with the Office of Statewide Health Planning and Development's Uniform System of accounts for hospitals. <i>(Note: the form requests amounts for each of the following items: Medicare Recipients, Medi-Cal Recipients, County Subsidy Recipients)</i></p> <p>(b) Enter the total amount received by the organization's hospital(s) for care to such patients. <i>(Note: the form requests amounts for each of the following items: Medicare Recipients, Medi-Cal Recipients, County Subsidy Recipients)</i></p> <p>(c) Does the organization maintain cost information for care provided to such patients? If yes, enter the total cost of care, according to the organization's cost accounting system. <i>(Note: the form requests amounts for each of the following items: Medicare Recipients, Medi-Cal Recipients, County Subsidy Recipients)</i></p>	<p>(a) Contractual adjustments for <i>Medicare Recipients</i> can be obtained from Hospital Disclosure Report, Statement of Income – Unrestricted Fund, page 8, by adding line 305 <i>Contractual adjustment –Medicare–traditional</i> and line 310 <i>Contractual adjustment –Medicare–managed care</i>.</p> <p>Contractual adjustments for <i>Medi-Cal Recipients</i> can be obtained from page 8, by adding line 315 <i>Contractual adjustment –Medi-Cal–traditional</i> and line 320 <i>Contractual adjustment –Medi-Cal–managed care</i>.</p> <p>Contractual adjustments for <i>County Subsidy Recipients</i> can be obtained from page 8, by adding line 330 <i>Contractual adjustments – County indigent program –traditional</i> and line 335 <i>Contractual adjustments– County indigent program –managed care</i>.</p> <p>(b) The amount received by the organization's hospital(s) for care to such patients for <i>Medicare Recipients</i> can be obtained from Hospital Disclosure Report, Supplemental Patient Revenue Information, page 12 (7 of 12) by adding line 460 column 1 <i>MEDICARE, Traditional Inpatient Revenue</i>; Column 2 <i>MEDICARE, Traditional Outpatient Revenue</i>; and Column 3 <i>MEDICARE, Managed Care Total</i>.</p> <p>The amount for <i>Medi-Cal Recipients</i> can be obtained from Hospital Disclosure Report, Supplemental Patient Revenue Information, page 12 (8 of 12) by, adding line 460, column 5, <i>MEDI-CAL, Traditional Total</i> and column 7 <i>MEDI-CAL, Managed Care Total</i>.</p> <p>The amount for <i>County Subsidy Recipients</i> can be obtained from Hospital Disclosure Report, Supplemental Patient Revenue Information, page 12 (9 of 12) by adding line 460, column 9 <i>COUNTY INDIGENT PROGRAMS, Traditional Inpatient Revenue</i>; column 10 <i>COUNTY INDIGENT PROGRAMS, Traditional Outpatient Revenue</i>; and column 11 <i>COUNTY INDIGENT PROGRAMS, Managed Care Total</i>.</p> <p>(c) This information is not available from OSHPD.</p>

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Question on Proposed BOE Form	Detail on Reporting to OSHPD
<p>11. Does the organization's hospital provide medical care for which discounted payments were received from patients for care (other than Medicare, Medi-Cal or county indigent program recipients)? If yes, provide the following information:</p> <p>(a) Enter the accounts (number and description) used to record such discounted payments and the associated amounts received for medical care for each year.</p> <p>(b) Enter the total charge amount prior to discount for each year.</p> <p>(c) Does the organization maintain cost information for care provided to such patients? If yes, enter the total cost of care, according to the organization's cost accounting system.</p>	<p>This information is unavailable from OSHPD.</p>
<p>12. Did the organization's hospital(s) incur bad debt expense for medical care provided to uninsured patients or underinsured patients during any of the specified fiscal years? If yes, enter the hospital(s) total bad debt expense (based on cost accounting) for medical care to such patients?</p>	<p>Reported on Hospital Disclosure Report. Statement of Income – Unrestricted Fund, page 8, line 300, <i>Provision for bad debts</i>, and line 355, <i>Charity discounts</i> – other.</p>
<p>13. Did your organization collect revenue from unpaid medical services through third-party collection services for any of the specified fiscal years? If yes, provide the following information:</p> <p>(a) Enter the number of delinquent accounts, debt amount and total collected and attach a list of debt collection firms used and contracts for such services.</p> <p>(b) Enter the number of liens made for delinquent accounts, the amount collected from liens, and the total amount expended to collect delinquent accounts.</p>	<p>This information is unavailable from OSHPD.</p>
<p>14. Did the organization's hospital(s) invest in, contribute assets to, or participate in any joint venture or similar arrangement with a non-profit or for-profit entity during any of the specified fiscal years?</p>	<p>This information is unavailable from OSHPD.</p>

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<b>Question on Proposed BOE Form</b>	<b>Detail on Reporting to OSHPD</b>
15. Did the organization's hospital(s) provide funds, grants, or non-cash assistance including, but not limited to, supplies, materials, equipment, or medical services, to a public and/or non-related nonprofit tax exempt entity which operates health care facilities (hospitals, community clinics, etc.) serving lower-income patients during any of the specified fiscal years? If yes, enter the total contribution amount, according to the hospital's cost accounting system and attach a description identifying the entities involved and what was contributed.	This information is unavailable from OSHPD.
16. Attach to this form an organizational chart that identifies all legal entities related to and/or affiliated with the nonprofit organization receiving the welfare exemption from property taxation under Revenue and Taxation Code section 214. List the full names of the entities and complete street addresses.	This information is unavailable from OSHPD.
17. Did your organization own and operate one or more outpatient clinics (clinics providing psychiatric services to children and/or multispecialty clinics described in Health & Safety Code § 1206, subd. (1)), which receive the welfare exemption from property taxation under Revenue and Taxation Code sections 214 for any of the specified fiscal years? If yes, enter the total number of outpatient clinics providing services and attach a list of clinics, including the clinic's full name, complete street address and type of clinic	This information is unavailable from OSHPD.
18. Enter the total compensation for the three most highly-compensated executives of the hospital organization for each of the following years. Attach a separate schedule that identifies the amounts of each of the 3 components that are included on the organization's annual form 990, <i>Return of Organization Exempt From Income Tax</i> .	This information is unavailable from OSHPD.



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The Internal Revenue Service is requiring additional reporting requirements on its Form 990; schedule H is added.

- For purposes of Schedule H, a “hospital” is a facility that is, or is required to be licensed, registered, or similarly recognized by a state as a hospital. This includes a hospital operated through a disregarded entity or a joint venture treated as a partnership. It does not include hospitals that are located outside the United States. It also does not include hospitals operated by entities organized as separate legal entities from the organization that are treated as a corporation for federal tax purposes (except for members of a group exemption included in a group return filed by the organization.)
- For purposes of Schedule H, a “charity care policy” is a policy describing how the organization will provide “charity care,” which means free or discounted health services provided to persons who meet the organization’s criteria for financial assistance and are thereby deemed unable to pay for all or a portion of the services. “Charity care” does not include: bad debt or uncollectible charges that the hospital recorded as revenue but wrote off due to failure to pay by patients, or the cost of providing such care to such patients; the difference between the cost of care provided under Medicaid or other means-tested government programs or under Medicare and the revenue derived there from; or contractual adjustments with any third-party payors.

There are timeliness issues with IRS data to data needed by the Board Equalization; as well as comparability issues.

- A hospital organization is required to file a single Schedule H that aggregates information from hospitals directly operated by the organization, hospitals operated by disregarded entities of which the organization is the sole member, other facilities or programs of the organization even if provided by a facility that is not a hospital or if provided separately from the hospital’s license, hospitals operated by any joint venture treated as a partnership, to the extent of the organization’s proportionate share of the joint venture and in the case of a group return, hospitals operated directly by members of the group exemption included in the group return. *(Reporting to BOE is on an organization level based on the Organizational Clearance Certificate holder- a corporation, foundation, community chest, funds, or limited liability company. Information on schedule H may detail information for entities that are not the OCC holder.)*
- Although the proposed BOE form did not define "charity care", there are differences between the Schedule H and California's definition. For California, although "charity care" is not defined in AB 774, the manner in which it is used in the law describes full charity care, where the patient is not expected to pay any amount for provided services, based on the hospital's determination that the patient is unable to pay for that care. Many hospitals use the term "charity care" to describe full charity care or free hospital care. The term "discount payment" describes a situation where the hospital has determined that the patient does not qualify for full charity care (free care) but is eligible for a discount and is expected to pay only a part of the bill. Under AB 774, a qualifying patient would not be expected to pay more than the amount paid by Medicare, Medi-Cal, Healthy Families, or other government-sponsored health programs, whichever is greater. Other commonly used terms to describe this discount include "partial charity care," "financial discount," "sliding fee schedule" and "reduced payment plan."
- Schedule H is not mandated until the 2009 tax filing year and would not be due until May 15, 2010 at the earliest. (Schedule H is optional for the 2008 tax year except for Part V Facility Information.) Form 990 filings are due the 15<sup>th</sup> day of the 5<sup>th</sup> month after the organization’s accounting period ends (May 15 for a calendar-year filer); and two 3-month extensions are available.

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Question on Proposed BOE Form	Detail on Reporting to IRS 990 Schedule H
<p>7. <b>Attach</b> to this form a description of major plant or facility expansion projects; identifying the project location, scope and timeline for completion.</p>	<p>Some related information is requested on Schedule H, but not that requested on the proposed BOE form.</p> <p>Information regarding these topics is limited to information requested on Form 990 Schedule H, Page 2, Part II, Community Building Activities requests the hospital to provide specific information if the organization conducted any community building activities. The community building activities requested are: 1) Physical improvements and housing, 2) Economic Development, 3) Community support, 4) Environmental improvements, 5) Leadership development and training for community members, 6) Coalition building, 7) Community health improvement advocacy, 8) Workforce development, and 9) Other. The information requested on these topics is: a) number of activities or programs (optional), b) persons served (optional), c) total community building expense, d) direct offsetting revenue, e) net community building expense, and f) percent of total expense.</p> <p>Additionally, facility information is requested in Part V of Schedule H; unlike other parts of Schedule H, hospitals must report such information for the 2008 tax year. The facility information required is the name and address of the facility and the type of facility (whether it is a licensed hospital, general medical and surgical, children's hospital, teaching hospital, critical access hospital, research facility, ER-24 hours, ER-other, or other (describe)).</p>
<p>9. Does the organization have a charity care policy? If yes, provide a copy of the policy and identify the accounts (number and description) used to record such charity care and associated costs for the following years: (<i>Attach supplementary schedules, if necessary.</i>)</p>	<p>Schedule H, Part 1, question 1a asks if the organization has a charity care policy and 1b asks if it is a written policy. (<i>See definition of charity care policy on page 1.</i>) Question 2 asks if the organization has multiple hospitals, and to indicate which of the following best describes application of the charity care policy to the organizations' hospitals: a) Applied uniformly to all hospitals, b) Generally tailored to individual hospitals, or c) Applied uniformly to most hospitals.</p> <p>Schedule H, Part 1, questions 3 through 7 requests specific information on the application of the charity care policy but does not request a copy of the policy, does not identify the accounts used to record such charity care and does not identify associated costs for the specified years, as requested on the proposed BOE form.</p>

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<p>10. Does the organization's hospital(s) provide medical care to Medicare, Medi-Cal or county indigent program recipients? If yes, provide the following information for each year: (Attach supplementary schedules, if necessary.)</p> <p>(a) Enter the total amount of contractual adjustments for the organization's hospital(s) in accordance with the Office of Statewide Health Planning and Development's Uniform System of accounts for hospitals. <i>(Note: the form requests amounts for each of the following items: Medicare Recipients, Medi-Cal Recipients, County Subsidy Recipients)</i></p> <p>(b) Enter the total amount received by the organization's hospital(s) for care to such patients. <i>(Note: the form requests amounts for each of the following items: Medicare Recipients, Medi-Cal Recipients, County Subsidy Recipients)</i></p> <p>(c) Does the organization maintain cost information for care provided to such patients? If yes, enter the total cost of care, according to the organization's cost accounting system. <i>(Note: the form requests amounts for each of the following items: Medicare Recipients, Medi-Cal Recipients, County Subsidy Recipients)</i></p>	<p>Some related information is requested on Schedule H, but not that requested on the proposed BOE form.</p> <p>Schedule H, Part 1, question 4 asks if the organization's charity care policy provide free or discounted care to the "medically indigent", but does not ask about Medicare or Medi-Cal.</p> <p><i>For purposes of Form 990 Schedule H, "medically indigent" means persons whom the organization has determined are unable to pay some or all of their medical bills because their medical bills exceed a certain percentage of their family or household income or assets (for example, due to catastrophic costs or conditions), even though they have income or assets that otherwise exceed the generally applicable eligibility requirements for free or discounted care under the organization's charity care policy.</i></p> <ul style="list-style-type: none"> <li>• It is unknown how it relates to the county indigent program as to whether the county indigent program includes conditions beyond "medically indigent."</li> </ul> <p>10(a) – N/A, request based on OSHPD data</p> <p>Limited information for question 10(b) is available on Schedule H, Part III, Section B, Medicare, question 5 which requests the total revenue received from Medicare (including DSH and IME).</p> <p>Limited information for question 10(c) is available on Schedule H, Part III, Section B, Medicare, question 6 which requests the Medicare allowable costs of care relating to payments on line 5 (total revenue received from Medicare).</p>

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<p>11. Does the organization's hospital provide medical care for which discounted payments were received from patients for care (other than Medicare, Medi-Cal or county indigent program recipients)? If yes, provide the following information:</p> <p>(a) Enter the accounts (number and description) used to record such discounted payments and the associated amounts received for medical care for each year.</p> <p>(b) Enter the total charge amount prior to discount for each year.</p> <p>(c) Does the organization maintain cost information for care provided to such patients? If yes, enter the total cost of care, according to the organization's cost accounting system.</p>	<p>Information for question 11, 11(a), 11(b) and 11(c) is not available on Schedule H.</p>
<p>12. Did the organization's hospital(s) incur bad debt expense for medical care provided to uninsured patients or underinsured patients during any of the specified fiscal years? If yes, enter the hospital(s) total bad debt expense (based on cost accounting) for medical care to such patients?</p>	<p>Limited information for question 12 is available on Schedule H, Part III, Section A, question 3 which requests the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy.</p>

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<b>Question on Proposed BOE Form</b>	<b>Detail on Reporting to IRS 990 Schedule H</b>
<p>13. Did your organization collect revenue from unpaid medical services through third-party collection services for any of the specified fiscal years? If yes, provide the following information:</p> <p>(a) Enter the number of delinquent accounts, debt amount and total collected and attach a list of debt collection firms used and contracts for such services.</p> <p>(b) Enter the number of liens made for delinquent accounts, the amount collected from liens, and the total amount expended to collect delinquent accounts.</p>	<p>Schedule H, page 2, part III, Section C, question 9a asks if the organization has a written debt collection policy. Question 9b indicates if the organization responds “Yes,” to 9a, then does the organization’s collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance and if so to describe the provisions in Part VI.</p> <p>Specific information requested in question 13, 13(a) and 13(b) is not available on Schedule H.</p>
<p>14. Did the organization’s hospital(s) invest in, contribute assets to, or participate in any joint venture or similar arrangement with a non-profit or for-profit entity during any of the specified fiscal years?</p>	<p>Schedule H, Page 2, Part IV, requests information on management companies and joint ventures of which the organization is a partner or shareholder. The information requested consists of: a) name of entity, b) description of primary activity of entity, c) organization’s profit % or stock ownership %, d) Officers, directors, trustees, or key employees’ profit % or stock ownership %, e) Physicians’ profit % or stock ownership %</p>

February 27, 2009



Sherrie Kinkle  
State Board of Equalization  
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Sacramento, CA 94279-0064

Dear Ms. Kinkle:

On behalf of the California Hospital Association and our not-for-profit hospital and health system members, we welcome the opportunity to comment on the content and format of the proposed form BOE-268-H, *Supplemental Reporting Form – Organizational Clearance Certificate Holders, Nonprofit Hospital Organizations*.

We also would like to thank you for the invitation to attend the interested parties meeting scheduled for March 5, 2009 at the Board's headquarters in Sacramento from 9:30 a.m. to noon. CHA will be in attendance along with other representatives of nonprofit hospitals. In advance of that meeting, we wanted to provide you with some preliminary written feedback. We have been working extensively with our hospital members, and assembled the following thoughts for your consideration:

- What organization identifier drives the information requested on the form? The Name of organization, BOE OCC Number, and corporate ID number could each potentially arrive at different reporting results – depending on the organization and its structure.
  - Our recommendation is to complete the form based on the entity structure that is used for completing the IRS 990.
- The form suggests capturing information for the four years 2005 through 2008. Reports for 2008 are not available for reporting purposes because 990s are not yet completed, external audits have not yet been performed, and internal reporting may not yet be finalized.
  - Our recommendation is to request information only for the accounting periods in which the Form 990 and the audited financial statements have been completed.
- The form does not reduce the administrative burden for hospitals that report a revenue surplus of 10 percent or less.
  - Our recommendation is to allow hospitals to skip questions 4 through 18 if they report surplus revenue on 3(a) of 10 percent or less. We suggest that question 5 can still be required for submitting Form 990 and audited financial statements.
- Much of the information requested on the form can be derived from publicly available sources such as Form 990 or the Annual OSHPD reports.
  - Our recommendation is to minimize the administrative burden to hospitals by using already available data from reliable sources such as the IRS and OSHPD to

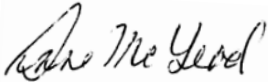
gather the information requested specifically by questions: 1, 3, 4, 5, 10, 14, and 18.

- We would like to preserve the ability for hospitals to answer question 2 as presented on the proposed form, if they are able to provide replacement based depreciation costs.
- We believe that question 7 may not be able to be answered by all facilities. Many hospitals build reserves and then determine the most appropriate use of their resources to meet the changing health care needs of the communities they serve.
- We suggest that question 8 can be best answered through the BOE's own resources and information.
- All hospitals are required to have a charity care policy as a condition of licensure. Question 9 is unnecessary. Further, all hospitals are required to provide a copy of their policy to OSHPD who then posts it to a public website. Finally, we are unclear as to what the BOE means when asking hospitals to identify accounts and provide a number and description.
  - We recommend that the BOE obtain the charity care policy information from the OSHPD website. We also would like to have the BOE clarify the information they are asking for beyond providing the charity care policy.
- We are unable to determine what information you are requesting in question 11. Could you please clarify what patients you are seeking data. Could you also clarify part (a) regarding account numbers and descriptions, and part (b) related to charges. Under part (c) related to cost information, we are unclear what costs hospitals are being asked to provide.
- Hospitals report bad debt expense for medical care provided on the Form 990 and on OSHPD. Hospitals do not have the ability to determine bad debts related to uninsured patients versus underinsured patients.
  - We recommend that the BOE revise question 12 to gather information related to bad debt expense for patients. Further, we suggest that this information can be obtained through OSHPD.
- Regarding the use of third-party collection services described in question 13, we suggest that further discussion should occur between BOE and the hospitals. The content and structure of the questions are very confusing.
- Community benefit reporting information such as what is requested in question 15 is captured and reported by OSHPD as a requirement of SB 697 (Statutes of 1994). All of this information is available publicly on OSHPD's website.

- We believe that your records and resources would be best suited to provide the information you are seeking in question 17.

Thank you again for allowing the hospital industry to comment. We look forward to having a discussion with you on March 5. In the mean time, if you have any questions on the information provided, please feel free to contact me at (916) 552-7536 or [amcleod@calhospital.org](mailto:amcleod@calhospital.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Anne McLeod". The signature is written in a cursive, flowing style.

Anne McLeod  
Vice President, Reimbursement and Economic Analysis

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